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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 /023 W
----------035867 271836Z /43
R 261400Z JAN 78
FM AMCONSUL MONTERREY
TO AMEMBASSY MEXICO
INFO SECSTATE WASHDC 3506
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E.O. 11652: N/A
TAGS: EGEN, MX
SUBJECT: OPTIMISM IN BUSINESS COMMUNITY

1. HEIGHTENED CONFIDENCE AND OPTIMISM FOR 1978 WERE VOICED BY MOST PARTICIPANTS IN THE CONSUL GENERAL'S LATEST BUSINESS ROUNDTABLE MEETING. THIS OPTIMISM WAS BASED ON SOLID ECONOMIC REALITIES RESULTING FROM LOPEZ-PORTILLO'S FIRST YEAR IN OFFICE.

2. THE PRESIDENT'S SUCCESS IN RESTRAINING WAGES WAS NAMED BY A MAJORITY OF PARTICIPANTS AS THE CENTRAL ELEMENT BEHIND THEIR RENEWED CONFIDENCE. CONSENSUS OF PARTICIPANTS WAS TO GRANT FULL CREDIT TO NATIONAL CTM LEADER VELASQUEZ FOR HIS SUPPORT, DESPITE HIS PUBLIC STATEMENTS TO THE CONTRARY FROM TIME TO TIME. EXECUTIVES ALSO HAD HIGH PRAISE FOR GOM'S CLOSE ADHERENCE TO CY 1977 FEDERAL BUDGET TARGETS, PAST PESO STABILITY, AND GOOD PROSPECTS FOR A RELATIVELY STABLE PESO IN 1978.

3. SEVERAL PARTICIPANTS SAID THEY ARE NOW MOVING FORWARD ON NEW INVESTMENT PLANS OR ARE REACTIVATING OLD EXPANSION PLANS ON WHICH IMPLEMENTATION HAD BEEN DEFERRED. REPRESENTATIVE OF AN INTERNATIONAL BANK ESTIMATED THAT 85 PERCENT OF HIS FIRM'S CUSTOMERS ARE PLANNING OR IMPLEMENTING EXPANSIONS FOR 1978. A MANUFACTURER OF AUTO PARTS NOTED THAT DOMESTIC DEMAND IS
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STILL BELOW 1975 LEVELS, BUT THAT HE HAS RECEIVED A SURPRISING NUMBER OF FOREIGN INQUIRIES ABOUT EXPORTS AND IS NOW SURVEYING LAND AND CONSTRUCTION COSTS WITH A VIEW TO EXPANSION. A MANUFACTURER OF ENAMELWARE AND APPLIANCES NOTED THAT DOMESTIC DEMAND IS HIGH AND SHE WAS OPTIMISTIC ABOUT EXPORT PROSPECTS. IN ADDITION, GOM HAS OFFERED ASSURANCES OF AN END TO PRICE CONTROLS ON HER

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FIRM'S OUTPUT AND MANAGEMENT NOW PLANS AN EXPANSION OF THEIR REFRIGERATOR PLANT. A CERAMIC MANUFACTURER PLANS TO GO AHEAD WITH THE FIRST PHASE OF A 30 MILLION PESO EXPANSION PROGRAM WHICH HAD BEEN DEFERRED IN THE PAST.

4. ONE CAUTIONARY NOTE ON THE FOREIGN INVESTMENT CLIMATE WAS SOUNDED BY A MANUFACTURER OF HEAVY CONSTRUCTION EQUIPMENT. HE WAS CONCERNED THAT GOM REQUIREMENTS FOR MAJORITY MEXICAN EQUITY, COUPLED WITH REQUIREMENTS TO MEXICANIZE INTERNATIONAL TRADEMARKS, RISK THE "LOSS OF CONTROL" OF TRADEMARKS BY FOREIGN INVESTORS. OTHER PARTICIPANTS RESPONDED THAT THE RECORD SHOWS THAT THE GOM HAS IMPOSED NO PENALTIES ON FIRMS WHICH HAVE FAILED TO MEXICANIZE (OR "LINK") THEIR TRADEMARKS.
VAN ORDER

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